

Message Text

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42 65

ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 MC-02

ACDA-05 NRC-05 IO-10 EPA-01 /132 W
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R 111400Z SEP 75

FM USINT BAGHDAD

TO SECSTATE WASHDC 2353

AMEMBASSY PARIS

INFO AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MOSCOW

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

C O N F I D E N T I A L USINT BAGHDAD 0957

C O R R E C T E D C O P Y (PARA 7)

E.O.11652: GDS

TAGS: PFOR, ETRD, IZ, FR

SUBJECT: FRENCH SALES TO IRAQ. PETROCHEMICALS PROJECT.

REF: A) BAGHDAD 924 (NOTAL) B) BAGHDAD 928, C) BAGHDAD 948

1. SUMMARY: DESPITE HOOPLA ATTENDANT ON RECENT SADDAM HUSSEIN
VISIT TO FRANCE, ODDS ARE THAT FRENCH PENETRATION OF IRAQ

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MARKET WHICH BEGAN IN EARNST IN 1969 IS NOW CRESTING. AS PRIME

CONTRACTORS, FRENCH HAVE DELIVERED THE GOODS ON VERY LITTLE DANGER IS THAT GOI, IN CASTING AROUND FOR SOMETHING PERDORMABLE TO BESTOW AS REWARD FOR FRENCH "NEUTRALITY" ON ARAB ISRAELI DISPUTE, MAY HIT UPON PRESTIGIOUS AND LUCRATIVE DESIGN AND CONSULTANCY CONTRACTS. FRENCH ACTIVITY IN THIS SPHERE COULD INCREASE LIKELIHOOD OF SUBSEQUENT FRENCH COMPONERNTY TRANSIT PROJECT MAY BE CRUCIAL TEST CASE. END SUMMARY.

2. IN REF A USINT DESCRIBED MANEUVERING GOING ON BETWEEN GOI MITSUBISHI AND LUMMUS ON SECOND PHASE OF PETROCHEMICALS PROJECT NEAR BASRA.

3. PARADOXICALLY FIRST STAGE OF SAME PROJECT HAS STILL NOT BEEN FIRMLY AWARDED. IN PRINCIPLE, GOVERNMENT OF FRANCE HAS BEEN GIVEN STAGE ONE ON A PLATTER AND CERTAINLY HAS COMMITTED ITSELF TO BEST EFFORT TO FIND FRENCH FIRM TO DO BASIC WORK AND THAT FIRM IS CREUSOT-LOIRE. AT SEPTEMBER 9 MONTHLY MEETING OF EEC COMERCIAL ATTACHES (WHICH USINT ATTENDS), FRENCH COMMERCIAL COUNSELOR MICHEL DUGER (WHO IS ABOUT TO DEPART FOR NEW ASSIGNMENT IN DAMASCUS) CONFESSED TO GROUP THAT CREUSOT-LOIRE IS PUTTING UP STIFF RESISTANCE TO GOF PRESSURE TO COME INTO LINE WITH GOI REQUIREMENT OF FIXED PRICE BID. FRENCH FIRM IS SAID TO CONSIDER RISKS OF FIXED PRICE APPROACH ALMOST TOO GREAT TO BE WORTH DISCUSSING. DUGER SAID THIS PROJECT, WAS A PRINCIPAL TOPIC OF SADDAM HUSSEIN'S VISIT TO FRANCE (REF B)

4. IN ANOTHER AREA, MICHEL RENAULT, VISITING EXECUTIVE OF FRENCH AUTOMOBILE COMPANY OF SAME NAME TOLD AMERICAN BUSINESSMAN SEPTEMBER NINTH THAT HIS FIRM HAS JUST TOLD IRAQIS THEY CANNOT POSSIBLY SUPPLY 6,00 PASSENGER CARS GOI SEEKS THIS YEAR: RENAULT COULD PROVIDE MAXIMUM OF 600 IF FIRM WERE WILLING TO DIVERT FROM OTHER CUSTOMERS. (WHICH IT IS NOT).

5. FRENCH, WHO ONLY BEGAN CONCERTED EFFORT PENETRATE IRAQI MARKET IN 1969. HAVE DONE VERY WELL IN ENLARGING THEIR SHARE OF WESTERN EUROPEAN SALES TO IRAQ (MAINLY AT EXPENSE OF UK) AND IRAQIS CLEARLY INTEND TO REWARD FRANCE FOR ITS POLICY OF "NEUTRALITY" IN ARAB ISRAELI DISPUTE BY GIVING FRANCE AS MANY PROJECTS AS CAN BE HANDLED BUT, AS REPORTED ELSE WHERE, SUCH PROJECTS ARE HARD TO COME BY CONFIDENTIAL

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FRENCH ARE THEREFORE FACED WITH A CREDIBILITY GAP OF ENORMOUS PROPORTIONS, AS THEY HAVE SIMPLY BEEN UNABLE TO RESPOND WITH ONE HUNDRED PERCENT FRENCH TECHNOLOGY AND MANPOWER TO THE MAJOR PROJECTS THEY HAVE BEEN OFFERD. ONLY BY SUBCONTRACTING TO U.S. CANADIAN AND OTHER FIRMS HAVE FRENCH BEEN ABLE TO DELIVER.

6. IN WAKE OF WEEK LONG VISIT TO FRANCE BY REVOLUTIONARY COMMAND COUNCIL VIC CHAIRMAN SADDAM HUSSEIN, IT APPEARS THAT THE IRAQIA

ARE SOLICITING, FRENCH ASSISTANCE IN ATOMIC ENERGY, HELICOPTERS.
WARPLANES, COMPUTERS.

7. US DOMINATES COMPUTER PICTURE IN IRAQ AND NO ECONOMIC MINISTRY
WANTS FRENCH COMPUTERS. INDIANS AND CANADIANS ARE KNOWN TO BE
INTERESTED IN MAKING ATOMIC TECHNOLOGY AVAILABLE. AND BRITISH
ARE TALKING HARD ABOUT PLANES AND HELICOPTERS. THE HIGH WATER
MARK OF FRENCH INVOLVEMENT IN THE ECONOMY OF IRAQ HAS PROBABLY
BEEN REACHED CERTAINLY THIS IS TRUE AS FAR AS PURE MARKET FORCES
AND HONEST CONSUMER DEMAND ARE CONCERNED. IT IS GOING TO BE
INCREASINGLY HARD TO GOI TO FIND MAJOR PROJECTS WHICH FRENCH
FIRMS CAN PERFORM EVEN IF HANDED TO THEM ON A PLATTER. WHAT IS
WORRISOME TO US BUSINESS INTEREST IS PROSPECT THAT GOI, IN FACE
OF APPARENT INABILITY OF FRANCE PERFORM MAJOR TURN-KEY CONSTRUCTION
PROJECTS , MAY BE FORCED TO TURN TO DESIGN AND CONSULTANCY
PROJECTSAS SOMETHING MORE WITHIN CAPACTIY OF FRENCH. THESE ARE
MORE MANAGEABLE, CARRY PRESTIGE WILL LEAD TO FRENCH SPECIFICATION
AND WILL FACILITATE MARKET ACCESS BY A CERTAIN AMOUNT OF FRENCH
HARDWARE AS RESULT. IN THIS CONNECTION, BAGHDAD RAPID TRANSIT
PROJECT (REF C) MAY BE TEST CASE OF THINGS TO COME.
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